

BRILEY TOWNSHIP
(Montmorency)
GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BRILEY TOWNSHIP	County MONTMORENCY
Audit Date 3/31/04	Opinion Date 10/20/04	Date Accountant Report Submitted to State: 10/26/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

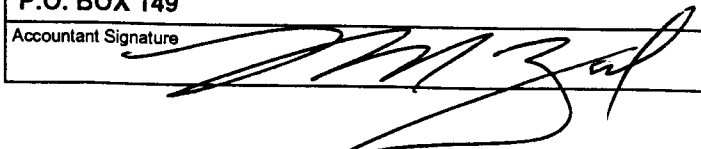
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) THOMAS R. ZICK CPA, P.C.			
Street Address P.O. BOX 149		City LEWISTON	State MI
Accountant Signature 		ZIP 49756	Date 10/26/04

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Thomas R. Zick CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

October 20, 2004

Briley Township Board
Atlanta, Michigan 49709

Dear Board:

I have audited the accompanying general purpose financial statements of Briley Township, Montmorency County, Michigan as of and for the year ended March 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Briley Township, Montmorency County, Michigan as of March 31, 2004, and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and individual fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Briley Township, Montmorency County, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Thomas R. Zick CPA, P.C.
Certified Public Accountant

BRILEY TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
ASSETS			
Cash demand and time deposits	\$ 93,091	\$ 586,736	\$ 1,218
Investments	39,000	-0-	83,000
Taxes and administration fee receivable	8,312	27,456	-0-
Accounts receivable and due from other governmental units	-0-	-0-	9,410
Due from other funds	33,387	-0-	-0-
Inventories	-0-	-0-	7,319
Property, plant, and equipment - Net	-0-	-0-	989,992
Total Assets	<u>\$ 173,790</u>	<u>\$ 614,192</u>	<u>\$ 1,090,939</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 584	\$ -0-	\$ -0-
Due to governmental units	-0-	13,778	-0-
Due to other funds	-0-	-0-	33,387
Total Liabilities	<u>584</u>	<u>13,778</u>	<u>33,387</u>
Fund Equity:			
Restricted retained earnings	-0-	-0-	909,931
Investment in general fixed assets	-0-	-0-	-0-
Retained Earnings/Fund Balance (Deficit): Undesignated	<u>173,206</u>	<u>600,414</u>	<u>147,621</u>
Total Fund Equity	<u>173,206</u>	<u>600,414</u>	<u>1,057,552</u>
Total Liabilities and Fund Equity	<u>\$ 173,790</u>	<u>\$ 614,192</u>	<u>\$ 1,090,939</u>

See Notes to Financial Statements

<u>Fiduciary Fund Types</u> <u>Trust and Agency</u>	<u>Account Groups</u> <u>General Fixed Assets</u>	<u>Total</u> <u>(Memorandum Only)</u>
\$ 941	\$ -0-	\$ 681,986
6,000	-0-	128,000
-0-	-0-	35,768
-0-	-0-	9,410
-0-	-0-	33,387
-0-	-0-	7,319
<u>-0-</u>	<u>743,941</u>	<u>1,733,933</u>
<u>\$ 6,941</u>	<u>\$ 743,941</u>	<u>\$ 2,629,803</u>
\$ -0-	\$ -0-	\$ 584
6,941	-0-	20,719
<u>-0-</u>	<u>-0-</u>	<u>33,387</u>
<u>6,941</u>	<u>-0-</u>	<u>54,690</u>
-0-	-0-	909,931
-0-	743,941	743,941
-0-	-0-	921,241
<u>-0-</u>	<u>743,941</u>	<u>2,575,113</u>
<u>\$ 6,941</u>	<u>\$ 743,941</u>	<u>\$ 2,629,803</u>

BRILEY TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Revenue:			
Taxes	\$ 70,250	\$ 234,254	\$ 304,504
Fees, permits, and services	20,568	10,268	30,836
State	160,973	-0-	160,973
Interest earned	1,725	15,537	17,262
Rent and royalties	16,648	-0-	16,648
Reimbursements and refunds	<u>5,076</u>	<u>-0-</u>	<u>5,076</u>
Total Revenue	<u>275,240</u>	<u>260,059</u>	<u>535,299</u>
Expenditures:			
Legislative	88,804	-0-	88,804
General government	182,879	17,003	199,882
Public safety	4,680	114,116	118,796
Public works	297	91,085	91,382
Recreation and cultural	<u>10,028</u>	<u>-0-</u>	<u>10,028</u>
Total Expenditures	<u>286,688</u>	<u>222,204</u>	<u>508,892</u>
Excess:			
Revenue over (under) expenditures	(11,448)	37,855	26,407
Fund balance (deficit) - April 1	<u>184,654</u>	<u>562,559</u>	<u>747,213</u>
Fund balance (deficit) - March 31	<u>\$ 173,206</u>	<u>\$ 600,414</u>	<u>\$ 773,620</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED MARCH 31, 2004

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 52,200	\$ 70,250	\$ 18,050
Fees, permits, and services	25,650	20,568	(5,082)
State	167,500	160,973	(6,527)
Interest earned	2,500	1,725	(775)
Rent and royalties	14,000	16,648	2,648
Reimbursements and refunds	<u>4,550</u>	<u>5,076</u>	<u>526</u>
Total Revenue	<u>266,400</u>	<u>275,240</u>	<u>8,840</u>
Expenditures:			
Legislative	74,220	88,804	(14,584)
General government	191,905	182,879	9,026
Public safety	5,650	4,680	970
Public works	2,500	297	2,203
Recreation and cultural	<u>8,650</u>	<u>10,028</u>	<u>(1,378)</u>
Total Expenditures	<u>282,925</u>	<u>286,688</u>	<u>(3,763)</u>
Excess:			
Revenues over (under) expenditures	(16,525)	(11,448)	5,077
Fund balance (deficit) - April 1	<u>156,175</u>	<u>184,654</u>	<u>28,479</u>
Fund balance (deficit) - March 31	<u>\$ 139,650</u>	<u>\$ 173,206</u>	<u>\$ 33,556</u>

See Notes to Financial Statements

Special Revenue Funds			Total (Memorandum Only)		
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
\$ 220,990	\$ 234,254	\$ 13,264	\$ 273,190	\$ 304,504	\$ 31,314
3,100	10,268	7,168	28,750	30,836	2,086
-0-	-0-	-0-	167,500	160,973	(6,527)
25,030	15,537	(9,493)	27,530	17,262	(10,268)
-0-	-0-	-0-	14,000	16,648	2,648
-0-	-0-	-0-	4,550	5,076	526
<u>249,120</u>	<u>260,059</u>	<u>10,939</u>	<u>515,520</u>	<u>535,299</u>	<u>19,779</u>
-0-	-0-	-0-	74,220	88,804	(14,584)
28,200	17,003	11,197	220,105	199,882	20,223
110,000	114,116	(4,116)	115,650	118,796	(3,146)
34,800	91,085	(56,285)	37,300	91,382	(54,082)
-0-	-0-	-0-	8,650	10,028	(1,378)
<u>173,000</u>	<u>222,204</u>	<u>(49,204)</u>	<u>455,925</u>	<u>508,892</u>	<u>(52,967)</u>
76,120	37,855	(38,265)	59,595	26,407	(33,188)
<u>555,713</u>	<u>562,559</u>	<u>6,846</u>	<u>711,888</u>	<u>747,213</u>	<u>35,325</u>
<u>\$ 631,833</u>	<u>\$ 600,414</u>	<u>\$ (31,419)</u>	<u>\$ 771,483</u>	<u>\$ 773,620</u>	<u>\$ 2,137</u>

BRILEY TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

Operating Revenue:	
Charges for services	\$ 47,100
State - grant	<u>3,500</u>
Total Operating Revenue	<u>50,600</u>
Operating Expenses:	
Wages/payroll taxes/fringe benefits	33,670
Supplies/repair parts	1,977
Services/utilities	13,205
Depreciation	<u>34,403</u>
Total Operating Expenses	<u>83,255</u>
Operating Income (Loss)	<u>(32,655)</u>
Nonoperating Revenue (Expenses):	
Interest revenue	<u>427</u>
Total Nonoperating Revenue (Expenses)	<u>427</u>
Net Income (Loss)	(32,228)
Retained earnings - April 1, 2003	<u>1,089,780</u>
Retained earnings - March 31, 2004	<u><u>\$ 1,057,552</u></u>

See Notes to Financial Statements

BRILEY TOWNSHIP
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

Cash Flows From Operating Activities:	
Cash received from customers	\$ 48,396
Cash payments for goods and services	(15,145)
Cash payments to employees for services	<u>(520)</u>
Net Cash Provided (Used) by Operating Activities	<u>32,731</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>427</u>
Net Cash Provided by Investing Activities	<u>427</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,158
Cash and Cash Equivalents - Beginning Of Year	<u>51,060</u>
Cash and Cash Equivalents - End Of Year	<u><u>\$ 84,218</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (32,655)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	34,403
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(2,204)
(Increase) Decrease in Inventory	(200)
Increase (Decrease) in Due to Other Funds	<u>33,387</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 32,731</u></u>

See Notes to Financial Statements

BRILEY TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES

The General Law Township is located in Montmorency County, Michigan and operates under an elected Township Board consisting of a Supervisor, Treasurer, Clerk and two Trustees. This Board and its employees provide services to the 1800 residents in areas such as fire protection, voter registration and maintenance of Township facilities.

The criteria established by GASB Statement No. 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of other Montmorency governmental organizations listed below are not included in the financial statements of Briley Township.

The County operations are reported in financial statements separate from these statements as are those of other townships in the County. Education services are provided to citizens through the several local school districts which are also separate governmental entities.

Several non-profit organizations provide fire, ambulance and airport services to the township which are considered separate entities and not contained in this report. They are all joint organizations and provide the services to Briley Township as well as other area townships. Tri-Township Fire Department, Tri-Township Ambulance Service and the Atlanta Municipal Airport Board all receive funds from Briley Township as well as other townships.

BASIS OF PRESENTATION

Fund Accounting - The accounts of the township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The township maintains the following funds:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Fire Fund, Ambulance Fund, and Sewer Fund are special revenue funds.

BRILEY TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund - The Water Operating Fund is an Enterprise Fund which is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of operating the water system will be financed primarily through user charges.

Fiduciary Funds - These funds, used to account for assets held in trust or as an agent for others, include the tax collection fund.

General Fixed Asset Group of Accounts - This account group is used to record the fixed assets of the General and Special Revenue Funds.

General Long Term Debt - The account group is used to present the balance of general obligation long term debt except for such debt recorded in the proprietary fund types.

Property Tax Revenue - Property taxes attach as an enforceable lien on property as of December 31 each year and are levied on the following December 1. Property taxes become available for expenditure and are thus recognized as revenue in the fiscal year they are levied. Montmorency County issues notes and uses the proceeds to buy all delinquent taxes from the taxing entities in the County.

Basis of Accounting - The Township maintains its books for all governmental fund types on the modified accrual basis of accounting. Under this method property taxes are recognized when levied and prepaid items such as insurance are recognized as expenditures when paid. The accrual basis of accounting is used by the Enterprise Fund. These methods are in accordance with methods prescribed by the State Treasurer and accounting principles generally accepted in the United States of America. All Fiduciary Funds are accounted for using the cash basis of accounting.

Property and Equipment - Fixed Asset purchases are recorded as expenditures during the year purchased in accordance with accounting principles generally accepted in the United States of America for municipalities. They are also capitalized in the general fixed asset group of accounts based upon their purchase price.

Inventory - The Enterprise Water Fund inventory is stated at cost. All other inventory type items are recorded as an expenditure at the time of purchase.

Budgets and Budgetary Procedures - The Township, through its elected clerk, follows the requirements of the Uniform Budgeting and Accounting Act in the preparation and execution of its annual budget. Any violations are disclosed in audits of the Township's financial statements as required by law. The budgets are amended as required throughout the year and expire at the end of each fiscal year. New budgets must be adopted annually.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, sections 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

BRILEY TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE B - EXCESS EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis.

The approved budgets of the Township for these budgetary funds were adopted to the line item level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary areas which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Total Expenditures</u>	<u>Amount of Variance</u>	<u>Budget</u>
General Fund:				
Township Board		\$ 74,220	\$ 88,804	\$ (14,584)
Clerk		\$ 11,700	\$ 11,910	\$ (210)
Town Hall		\$ 25,000	\$ 32,616	\$ (7,616)
Data Processing		\$ 2,500	\$ 3,444	\$ (944)
Airport		\$ 5,000	\$ 7,623	\$ (2,623)
Truck & Equipment		\$ 5,750	\$ 8,273	\$ (2,523)
Board of Appeals		\$ 400	\$ 1,612	\$ (1,212)
Blight Enforcement		\$ 2,500	\$ 2,776	\$ (276)
Parks & Recreation		\$ 8,650	\$ 10,028	\$ (1,378)
Special Revenue Funds:				
Road		\$ 34,800	\$ 91,085	\$ (56,285)
Fire		\$ 55,000	\$ 57,058	\$ (2,058)
Ambulance		\$ 55,000	\$ 57,058	\$ (2,058)

NOTE C - CASH

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash demand and time deposits	\$ 681,985	Savings and Checking	
Investments	128,000	Accounts	194,964
		Certificates of	
		Deposit	487,021
		Investments	128,000
	<u>\$ 809,985</u>		<u>\$ 809,985</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$681,935 and the bank balance was \$668,001. Of the bank balance, approximately 66.98% was covered by federal depository insurance.

The \$128,000 in investments are held in the National City Municipal Investment Trust which is a mutual fund and not required to be classified for risk purposes under GASB #3. The investments are uninsured.

Statutory Authority

Michigan law authorizes local units of government to deposit and invest in:

BRILEY TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE C - CASH (CONTINUED)

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- b. Certificates of deposit issued by a State or National bank organized and authorized to operate a bank in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds registered under the Investment Company Act of 1940, or investment pools organized under specific state statutes.

NOTE D - TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW

The total column on the Combined Statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE E - PROPERTY AND EQUIPMENT

The changes in components of the General Fixed Assets Group can be summarized as follows:

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
Land, Buildings and Improvements	\$ 466,129	\$ 37,285	\$ -0-	\$ 503,414
Office Furniture and Fixtures	65,663	1,450	-0-	67,113
Equipment	<u>173,414</u>	<u>-0-</u>	<u>-0-</u>	<u>173,414</u>
Investment in Fixed Assets	<u>\$ 705,206</u>	<u>\$ 38,735</u>	<u>\$ -0-</u>	<u>\$ 743,941</u>

A summary of the property, plant and equipment of the Water Enterprise Fund as of March 31, 2004 is as follows:

Land	\$ 5,475
Water System	<u>1,375,018</u>
Total Cost	1,380,493
Less Accumulated Depreciation	<u>390,501</u>
Net Carrying Amount	<u>\$ 989,992</u>

	<u>Depreciable Life</u>	<u>Method</u>
Water System	40 years	Straight-line

Depreciation for the year was \$34,403.

BRILEY TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE F - AIRPORT DEBT/AIRPORT COSTS

Description - The Atlanta Municipal Airport Board borrowed \$16,200 on March 6, 1995. The two townships involved with the Airport Board, Avery Township and Briley Township, entered into the formal loan agreement with the Michigan Aeronautics Commission and are responsible for the repayment. The current joint agreement between Briley Township and Avery Township dated January 13, 1999 states that each Township will contribute towards the overall airport budget (including debt service) based upon the ratio of taxable value in each township. At March 31, 2004 the total outstanding debt was \$2,018, of which Briley would be responsible for approximately \$1,452 based upon 2003 taxable values.

The townships annually make an appropriation to the Airport Board which covers operating costs as well as the debt service requirements.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Following is an analysis of the interfund receivables and payables:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 33,387	Water Fund	\$ 33,387
	<u>\$ 33,387</u>		<u>\$ 33,387</u>

NOTE H - DEFINED CONTRIBUTION PENSION PLAN

The Township has a money purchase pension plan designed as a defined contribution plan. The plan covers all full-time employees (presently 3). Plan members are required to contribute 7.5% of their wages while the township matches that amount. Plan provisions and contribution requirements are established by the Township Board and may be amended by the Board. Each employee has his/her own account established and the amounts contributed vest immediately.

During the fiscal year total pension expense was \$8,894.

BRILEY TOWNSHIP
GENERAL FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash demand and time deposits	\$ 93,091
Investments	39,000
Taxes and administration fee receivable	8,312
Due from other funds	<u>33,387</u>

Total Assets	<u>\$ 173,790</u>
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LIABILITIES AND FUND EQUITY

Liabilities:

Accrued liabilities	\$ <u>584</u>
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Total Liabilities	<u>584</u>
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Fund Equity:

Fund balance	<u>173,206</u>
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Total Fund Equity	<u>173,206</u>
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Total Liabilities and Fund Equity	<u>\$ 173,790</u>
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See Notes to Financial Statements

BRILEY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 52,200	\$ 70,250	\$ 18,050
Fees & permits	25,650	20,568	(5,082)
State	167,500	160,973	(6,527)
Interest earned	2,500	1,725	(775)
Rents and royalties	14,000	16,648	2,648
Reimbursements, refunds and miscellaneous	<u>4,550</u>	<u>5,076</u>	<u>526</u>
Total Revenue	<u>266,400</u>	<u>275,240</u>	<u>8,840</u>
Expenditures:			
Legislative	74,220	88,804	(14,584)
General government	191,905	182,879	9,026
Public safety	5,650	4,680	970
Public works	2,500	297	2,203
Recreation and cultural	<u>8,650</u>	<u>10,028</u>	<u>(1,378)</u>
Total Expenditures	<u>282,925</u>	<u>286,688</u>	<u>(3,763)</u>
Excess:			
Revenue over (under) expenditures	(16,525)	(11,448)	5,077
Fund balance (deficit) - April 1	<u>156,175</u>	<u>184,654</u>	<u>28,479</u>
Fund balance (deficit) - March 31	<u>\$ 139,650</u>	<u>\$ 173,206</u>	<u>\$ 33,556</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
DETAIL ANALYSIS OF EXPENDITURES
BUDGET TO ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>LEGISLATIVE</u>			
<u>Township Board</u>			
Trustee wages/per diem	\$ 13,400	\$ 14,276	\$ (876)
Payroll taxes	10,425	12,083	(1,658)
Membership and dues	1,250	1,669	(419)
Professional fees	500	125	375
Printing and publishing	130	148	(18)
Insurance	7,600	15,442	(7,842)
Supplies and miscellaneous	1,170	2,379	(1,209)
Contractual	5,250	3,568	1,682
Fringe benefits	<u>34,495</u>	<u>39,114</u>	<u>(4,619)</u>
Total Legislative	<u>74,220</u>	<u>88,804</u>	<u>(14,584)</u>
<u>GENERAL GOVERNMENT</u>			
<u>Supervisor</u>			
Wages	<u>11,700</u>	<u>11,700</u>	<u>-0-</u>
	<u>11,700</u>	<u>11,700</u>	<u>-0-</u>
<u>Election</u>			
Supplies	<u>500</u>	<u>222</u>	<u>278</u>
	<u>500</u>	<u>222</u>	<u>278</u>
<u>Assessor</u>			
Contractual	20,850	20,800	50
Miscellaneous	<u>150</u>	<u>150</u>	<u>-0-</u>
	<u>21,000</u>	<u>20,950</u>	<u>50</u>
<u>Clerk</u>			
Wages	<u>11,700</u>	<u>11,910</u>	<u>(210)</u>
	<u>11,700</u>	<u>11,910</u>	<u>(210)</u>
<u>Board of Review</u>			
Per Diem	1,650	1,400	250
Other expenses	<u>750</u>	<u>202</u>	<u>548</u>
	<u>2,400</u>	<u>1,602</u>	<u>798</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
 DETAIL ANALYSIS OF EXPENDITURES
 BUDGET TO ACTUAL - GENERAL FUND (CONTINUED)
 YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Treasurer</u>			
Wages	\$ 15,200	\$ 11,700	\$ 3,500
Other expenses	3,600	2,121	1,479
Contractual	<u>5,400</u>	<u>3,522</u>	<u>1,878</u>
	<u>24,200</u>	<u>17,343</u>	<u>6,857</u>
 <u>Township Hall</u>			
Supplies	3,000	3,301	(301)
Telephone, lights, heat, water	6,110	8,261	(2,151)
Repairs and maintenance	435	1,355	(920)
Contractual	455	171	284
Capital outlay	<u>15,000</u>	<u>19,528</u>	<u>(4,528)</u>
	<u>25,000</u>	<u>32,616</u>	<u>(7,616)</u>
 <u>Data Processing</u>			
Supplies	1,250	1,994	(744)
Capital Outlay	<u>1,250</u>	<u>1,450</u>	<u>(200)</u>
	<u>2,500</u>	<u>3,444</u>	<u>(944)</u>
 <u>Office</u>			
Supplies and postage	1,000	115	885
Utilities	1,210	1,264	(54)
Miscellaneous	<u>290</u>	<u>-0-</u>	<u>290</u>
	<u>2,500</u>	<u>1,379</u>	<u>1,121</u>
 <u>Garage</u>			
Small tools	250	-0-	250
Repairs and maintenance	<u>500</u>	<u>-0-</u>	<u>500</u>
	<u>750</u>	<u>-0-</u>	<u>750</u>
 <u>Other Services</u>			
Wages	66,155	55,170	10,985
Rubbish	750	671	79
Street lights	<u>12,000</u>	<u>9,976</u>	<u>2,024</u>
	<u>78,905</u>	<u>65,817</u>	<u>13,088</u>
 <u>Airport</u>	<u>5,000</u>	<u>7,623</u>	<u>(2,623)</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
 DETAIL ANALYSIS OF EXPENDITURES
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Truck & Equipment</u>			
Gas and repairs	\$ 5,750	\$ 8,273	\$ (2,523)
Total General Government	<u>191,905</u>	<u>182,879</u>	<u>9,026</u>
<u>PUBLIC SAFETY</u>			
<u>Planning & Zoning</u>			
Per Diem	1,800	160	1,640
Contractual	525	132	393
Supplies	<u>175</u>	<u>-0-</u>	<u>175</u>
	<u>2,500</u>	<u>292</u>	<u>2,208</u>
<u>Board of Appeals</u>			
Per Diem	150	1,390	(1,240)
Contractual	<u>250</u>	<u>222</u>	<u>28</u>
	<u>400</u>	<u>1,612</u>	<u>(1,212)</u>
<u>Zoning Administrator</u>			
Wages	120	-0-	120
Contractual	<u>130</u>	<u>-0-</u>	<u>130</u>
	<u>250</u>	<u>-0-</u>	<u>250</u>
<u>Blight Enforcement</u>			
Wages	1,800	1,800	-0-
Contractual	700	600	100
Supplies	<u>-0-</u>	<u>376</u>	<u>(376)</u>
	<u>2,500</u>	<u>2,776</u>	<u>(276)</u>
Total Public Safety	<u>5,650</u>	<u>4,680</u>	<u>970</u>
<u>PUBLIC WORKS</u>			
<u>Public Improvements</u>			
Miscellaneous	<u>2,500</u>	<u>297</u>	<u>2,203</u>
Total Public Works	<u>2,500</u>	<u>297</u>	<u>2,203</u>

BRILEY TOWNSHIP
 DETAIL ANALYSIS OF EXPENDITURES
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>RECREATION AND CULTURAL</u>			
<u>Park and Recreation</u>			
Utilities	2,650	4,088	(1,438)
Maintenance	-0-	1,485	(1,485)
Miscellaneous	750	865	(115)
Supplies	250	-0-	250
Capital outlay	<u>5,000</u>	<u>3,590</u>	<u>1,410</u>
	<u>8,650</u>	<u>10,028</u>	<u>(1,378)</u>
Total Recreation and Cultural	<u>8,650</u>	<u>10,028</u>	<u>(1,378)</u>
Total Expenditures	<u>\$ 282,925</u>	<u>\$ 286,688</u>	<u>\$ (3,763)</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
MARCH 31, 2004

	<u>Fire</u>	<u>Ambulance</u>	<u>Cemetery</u>	<u>Road</u>	<u>Total</u>
ASSETS					
Cash demand and time deposits	\$ -0-	\$ -0-	\$ 31,775	\$ 554,961	\$ 586,736
Taxes receivable	<u>6,889</u>	<u>6,889</u>	<u>1,688</u>	<u>11,990</u>	<u>27,456</u>
Total Assets	<u>\$ 6,889</u>	<u>\$ 6,889</u>	<u>\$ 33,463</u>	<u>\$ 566,951</u>	<u>\$ 614,192</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Due to governmental units	<u>\$ 6,889</u>	<u>\$ 6,889</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 13,778</u>
Total Liabilities	<u>6,889</u>	<u>6,889</u>	<u>-0-</u>	<u>-0-</u>	<u>13,778</u>
Fund Equity:					
Fund balance	<u>-0-</u>	<u>-0-</u>	<u>33,463</u>	<u>566,951</u>	<u>600,414</u>
Total Fund Equity	<u>-0-</u>	<u>-0-</u>	<u>33,463</u>	<u>566,951</u>	<u>600,414</u>
Total Liabilities and Fund Equity	<u>\$ 6,889</u>	<u>\$ 6,889</u>	<u>\$ 33,463</u>	<u>\$ 566,951</u>	<u>\$ 614,192</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	<u>Fire</u>	<u>Ambulance</u>	<u>Cemetery</u>	<u>Road</u>	<u>Total</u>
Revenue:					
Taxes	\$ 57,058	\$ 57,058	\$ 14,013	\$ 106,125	\$ 234,254
Services	-0-	-0-	8,150	2,118	10,268
Interest earned	<u>-0-</u>	<u>-0-</u>	<u>350</u>	<u>15,187</u>	<u>15,537</u>
Total Revenue	<u>57,058</u>	<u>57,058</u>	<u>22,513</u>	<u>123,430</u>	<u>260,059</u>
Expenditures:					
Contribution to other governmental units	57,058	57,058	-0-	-0-	114,116
Road projects and contractual	-0-	-0-	2,836	91,085	93,921
Capital outlay	<u>-0-</u>	<u>-0-</u>	<u>14,167</u>	<u>-0-</u>	<u>14,167</u>
Total Expenditures	<u>57,058</u>	<u>57,058</u>	<u>17,003</u>	<u>91,085</u>	<u>222,204</u>
Excess:					
Revenue over (under) expenditures	-0-	-0-	5,510	32,345	37,855
Fund balance (deficit) - April 1, 2003	<u>-0-</u>	<u>-0-</u>	<u>27,953</u>	<u>534,606</u>	<u>562,559</u>
Fund balance (deficit) - March 31, 2004	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 33,463</u>	<u>566,951</u>	<u>\$ 600,414</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
FIRE FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Taxes receivable	\$ 6,889
Total Assets	<u>\$ 6,889</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Due to governmental units	\$ 6,889
Total Liabilities	<u>6,889</u>

Fund Equity:

Fund balance	<u>-0-</u>
Total Fund Equity	<u>-0-</u>

Total Liabilities and Fund Equity	<u>\$ 6,889</u>
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STATEMENT OF REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 54,985	\$ 57,058	\$ 2,073
Interest	<u>15</u>	<u>-0-</u>	<u>(15)</u>
Total Revenue	<u>55,000</u>	<u>57,058</u>	<u>2,058</u>
Expenditures:			
Contributions to other governmental units	<u>55,000</u>	<u>57,058</u>	<u>(2,058)</u>
Total Expenditures	<u>55,000</u>	<u>57,058</u>	<u>(2,058)</u>
Excess:			
Revenue over (under) expenditures	-0-	-0-	-0-
Fund balance (deficit) - April 1, 2003	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balance (deficit) - March 31, 2004	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
AMBULANCE FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Taxes receivable	<u>\$ 6,889</u>
Total Assets	<u><u>\$ 6,889</u></u>

LIABILITIES AND FUND EQUITY

Liabilities:

Due to governmental units	<u>\$ 6,889</u>
Total Liabilities	<u>6,889</u>

Fund Equity:

Fund balance	<u>-0-</u>
Total Fund Equity	<u>-0-</u>
Total Liabilities and Fund Equity	<u><u>\$ 6,889</u></u>

STATEMENT OF REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Taxes	\$ 54,985	\$ 57,058	\$ 2,073
Interest	<u>15</u>	<u>-0-</u>	<u>(15)</u>
Total Revenue	<u>55,000</u>	<u>57,058</u>	<u>2,058</u>
Expenditures:			
Contributions to other governmental units	<u>55,000</u>	<u>57,058</u>	<u>(2,058)</u>
Total Expenditures	<u>55,000</u>	<u>57,058</u>	<u>(2,058)</u>
Excess:			
Revenue over (under) expenditures	-0-	-0-	-0-
Fund balance (deficit) - April 1, 2003	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balance (deficit) - March 31, 2004	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

See Notes to Financial Statements

BRILEY TOWNSHIP
CEMETERY FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash demand and time deposits	\$ 31,775
Taxes receivable	<u>1,688</u>
Total Assets	<u>\$ 33,463</u>

FUND EQUITY

Fund balance	<u>\$ 33,463</u>
Total Fund Equity	<u>\$ 33,463</u>

STATEMENT OF REVENUES BY SOURCES AND EXPENDITURES BY OBJECT
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 14,670	\$ 14,013	\$ (657)
Services	500	350	1,150
Interest	<u>7,000</u>	<u>8,150</u>	<u>(150)</u>
Total Revenue	<u>22,170</u>	<u>22,513</u>	<u>343</u>
Expenditures			
Contractual	3,200	2,836	364
Capital outlay	<u>25,000</u>	<u>14,167</u>	<u>10,833</u>
Total Expenditures	<u>28,200</u>	<u>17,003</u>	<u>11,197</u>
Excess:			
Revenues over expenditures	(6,030)	5,510	11,540
Fund balance (deficit) - April 1, 2003	<u>25,380</u>	<u>27,953</u>	<u>2,573</u>
Fund balance (deficit) - March 31, 2004	<u>\$ 19,350</u>	<u>\$ 33,463</u>	<u>\$ 14,113</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
ROAD FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash demand and time deposits	\$ 554,961
Taxes receivable	<u>11,990</u>
Total Assets	<u>\$ 566,951</u>

FUND EQUITY

Fund balance	<u>\$ 566,951</u>
Total Fund Equity	<u>\$ 566,951</u>

STATEMENT OF REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 96,350	\$ 106,125	\$ 9,775
Interest	18,000	15,187	(2,813)
Services	<u>2,600</u>	<u>2,118</u>	<u>(482)</u>
Total Revenue	<u>116,950</u>	<u>123,430</u>	<u>6,480</u>
Expenditures:			
Contractual	<u>34,800</u>	<u>91,085</u>	<u>(56,285)</u>
Total Expenditures	<u>34,800</u>	<u>91,085</u>	<u>(56,285)</u>
Excess:			
Revenue over (under) expenditures	82,150	32,345	(49,805)
Fund balance (deficit) - April 1, 2003	<u>530,333</u>	<u>534,606</u>	<u>4,273</u>
Fund balance (deficit) - March 31, 2004	<u>\$ 612,483</u>	<u>\$ 566,951</u>	<u>\$ (45,532)</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
WATER FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash demand and time deposits	\$ 1,218
Investments	83,000
Accounts receivable	9,410
Inventories	7,319
Property, plant, and equipment - net	<u>989,992</u>

Total Assets

\$ 1,090,939

LIABILITIES AND FUND EQUITY

Liabilities:

Due to other funds

\$ 33,387

Total Liabilities

33,387

Fund Equity:

Restricted retained earnings

909,931

Unrestricted retained earnings

147,621

Total Fund Equity

1,057,552

Total Liabilities and Fund Equity

\$ 1,090,939

See Notes to Financial Statements

BRILEY TOWNSHIP
WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEAR ENDED MARCH 31, 2004

Operating Revenues:	
Charges for services	\$ 47,100
State - grant	<u>3,500</u>
Total Operating Revenue	<u>50,600</u>
Operating Expenses:	
Wages/payroll taxes/fringe benefits	33,670
Supplies/repair parts	1,977
Services/Utilities	13,205
Depreciation	<u>34,403</u>
Total Operating Expenses	<u>83,255</u>
Operating Income (Loss)	<u>(32,655)</u>
Nonoperating Revenue (Expenses):	
Interest revenue	<u>427</u>
Total Nonoperating Revenue (Expenses)	<u>427</u>
Net Income (Loss)	(32,228)
Retained Earnings - April 1, 2003	<u>1,089,780</u>
Retained Earnings - March 31, 2004	<u>\$ 1,057,552</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
WATER FUND
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2004

Cash Flows From Operating Activities:	
Cash received from customers	\$ 48,396
Cash payments for goods and services	(15,145)
Cash payments to employees for services	<u>(520)</u>
Net Cash Provided (Used) by Operating Activities	<u>32,731</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>427</u>
Net Cash Provided by Investing Activities	<u>427</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,158
Cash and Cash Equivalents - Beginning Of Year	<u>51,060</u>
Cash and Cash Equivalents - End Of Year	<u><u>\$ 84,218</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (32,655)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	34,403
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(2,204)
(Increase) Decrease in Inventory	(200)
Increase (Decrease) in due to other funds	<u>33,387</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 32,731</u></u>

See Notes to Financial Statements

BRILEY TOWNSHIP
TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash demand and time deposits	\$ 941
Investments	<u>6,000</u>
Total Assets	<u>\$ 6,941</u>

LIABILITIES

Due to other governmental units	<u>\$ 6,941</u>
Total Liabilities	<u>\$ 6,941</u>

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
ASSETS				
Cash demand and time deposits	\$ 192	\$ 1,807,655	\$ 1,806,906	\$ 941
Investments	<u>6,000</u>	<u>-0-</u>	<u>-0-</u>	<u>6,000</u>
Total Assets	<u>\$ 6,192</u>	<u>\$ 1,807,655</u>	<u>\$ 1,806,906</u>	<u>\$ 6,941</u>
LIABILITIES				
Due to other governmental units	<u>\$ 6,192</u>	<u>\$ 1,807,655</u>	<u>\$ 1,806,906</u>	<u>\$ 6,941</u>
Total Liabilities	<u>\$ 6,192</u>	<u>\$ 1,807,655</u>	<u>\$ 1,806,906</u>	<u>\$ 6,941</u>

See Notes to Financial Statements

BRILEY TOWNSHIP
GENERAL FIXED ASSETS
GROUP OF ACCOUNTS
MARCH 31, 2004

ASSETS

Land, buildings and improvements	\$ 503,414
Office furniture and fixtures	67,113
Equipment	<u>173,414</u>
Total Assets	<u>\$ 743,941</u>

FUND EQUITY

Fund Equity:	
Investment in general fixed assets	<u>\$ 743,941</u>
Total Fund Equity	<u>\$ 743,941</u>

See Notes to Financial Statements



Thomas R. Zick CPA, P.C.
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FINANCIAL AUDIT COMMENTS

October 20, 2004

Briley Township Board
Briley Township
Atlanta, Michigan 49709

In planning and performing my audit of the general purpose financial statements of Briley Township, for the year ended March 31, 2004, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. However, I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect Briley Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Budgets

P.A. 621 of 1978, sections 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis.

The approved budgets of the Township for these budgetary funds were adopted to the line item level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary areas that were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Township Board	\$ 74,220	\$ 88,804	\$ (14,584)
Clerk	\$ 11,700	\$ 11,910	\$ (210)
Town Hall	\$ 25,000	\$ 32,616	\$ (7,616)
Data Processing	\$ 2,500	\$ 3,444	\$ (944)
Airport	\$ 5,000	\$ 7,623	\$ (2,623)
Truck & Equipment	\$ 5,750	\$ 8,273	\$ (2,523)
Board of Appeals	\$ 400	\$ 1,612	\$ (1,212)
Blight Enforcement	\$ 2,500	\$ 2,776	\$ (276)
Parks & Recreation	\$ 8,650	\$ 10,028	\$ (1,378)
Special Revenue Funds:			
Road	\$ 34,800	\$ 91,085	\$ (56,285)
Fire	\$ 55,000	\$ 57,058	\$ (2,058)
Ambulance	\$ 55,000	\$ 57,058	\$ (2,058)

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Due To / Due From

The due to / due from accounts in the general ledger did not balance. Each month, after entries are posted to these accounts, they should be balanced. As an alternative, a reimbursement check could be issued monthly, the accounts would be cleared and no balancing would be necessary.

Fixed Assets / GASB #34

A detail listing of your general fixed assets needs to be set up and maintained. This listing must be updated at least annually to account for any capital outlay additions and deletions.

Your next audit will require that the financial statements be prepared in compliance with GASB Statement No. 34. This statement requires that fixed asset detail be available and that depreciation be recorded on all depreciable assets. We can assist you in developing this schedule.

This report is intended solely for the information and use of Briley Township's management, others within the administration, and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.



THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT



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FRAUD / INTERNAL CONTROL LETTER

October 20, 2004

Briley Township Board
Atlanta, MI 49709

In planning and performing my audit of the financial statements of Briley Township for the year ended March 31, 2004, I considered the Township's internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements. The consideration I gave to the internal control structure was not sufficient for me to provide any form of assurance on it. However, in reviewing the Township's processes and systems, I made observations I feel should be communicated to you and I have done so in a separate letter dated September 16, 2004. In addition I have summarized other areas for Board consideration involving internal controls and fraud considerations.

If you have any questions on the information contained in this letter please contact me.

Sincerely,

Thomas R. Zick CPA, P.C.

Enclosure

Internal Controls

Over a relatively short period of time, there have been several large fraud related cases documented in the mid-Michigan area, as well as in other areas of Michigan and throughout the country. These highly publicized cases have raised significant concerns for management of many organizations, as well as the board members of these not-for-profit organizations and governmental organizations, concerning their organization's vulnerability to internal or external fraud related activities. It is strongly believed that all organizations, both small and large, have some level of risk in this area and even having the "best practices" in place will not necessarily prevent the occurrence of this unfortunate activity.

Through many recent conversations with my clients regarding their susceptibility to fraud, it was noted the most important element necessary to reduce the risk of fraud is to have a sound organizational structure, which includes sound accounting and internal control policies and procedures (IN THE EYES OF THEIR EMPLOYEES). One of the key aspects of strong controls, and thus a deterrent, is senior management's support and involvement with accounting and internal control monitoring and related decisions.

Some of the key areas to focus on include, but are not limited to, the following:

- Cash receipts handling and posting to general ledgers including the initial posting of cash receipts and delinquent tax receipts.
- Posting of adjusting journal entries to the ledger
- Cash disbursements, including the establishment of vendor master files in the computer system and maintenance and controls surrounding the signature of cash disbursement checks.
- Payroll, including the access to all master files detailing wage rates and other information, and the establishment of new employees in the computer system.
- Proper approval procedures for all disbursements including a good checks and balances system i.e.: no one person responsible for this function.

Fraud Considerations

Statement on Auditing Standards No. 99 (SAS 99), consideration of Fraud in a Financial Statement Audit

Effective for the year ended December 31, 2003, Statement on Auditing Standards No. 99 (SAS 99), *Consideration of Fraud in a Financial Statement Audit*, requires additional audit procedures addressing the risk of fraud in an organization. Our responsibility is not to detect fraud, but to detect material misstatements in the financial statements caused by fraud, and our consideration of fraud is integrated into the overall audit process.

Types of fraud include intentional misstatements or omissions in financial reporting and misappropriation of assets. SAS 99 requires auditors to address:

- How and where the client's financial statements might be susceptible to material misstatement due to fraud and what conditions might be present to allow fraud to occur.
- How management could perpetrate and conceal fraud.
- How management or employees could misappropriate assets of the client.

In addition, SAS 99 requires auditors to make inquiry of:

- Management regarding their awareness and understanding of fraud, fraud risks, and steps taken to mitigate risks.
- Others within the entity, including board members, non-financial executives, administrators, and non-management personnel not directly involved in the financial reporting process, regarding the existence or suspicion of fraud and the individual's views about the risks of fraud within the entity.

Risk areas identified through inquiries and based on industry knowledge will significantly affect the audit process. With your help, the implementation of these new standards will certainly lead to a greater comfort in the controls you have designed and implemented. It may even create greater efficiency in the accounting process as a byproduct of the process.

Creating a Culture of Honesty and High Ethics

It is the government's responsibility to establish core values and to effectively communicate the values to employees in order to create a culture with high ethical standards. The AICPA has included the following as key components necessary for the creation of such a culture.

Setting the Tone at the Top

Management, through the modeling of high ethics themselves and effectively communicating expectations to employees, is responsible for leading the effort to create the appropriate culture within a Township.

Fraud Considerations (continued)

Creating a Positive Workplace Environment

The creation of a positive workplace environment, where employees feel they are treated fairly, has proven to reduce the risk of fraud. This type of environment could be created as follows:

- Allowing employees to provide input related to the code of conduct
- Enabling employees to internally seek advice concerning decisions that appear to have ethical implications
- Establishment of a fair reward system
- Implementation of team-focused decision making policies

Hiring and Promoting Appropriate Employees

Policies must be effective in reducing the chances of hiring and promoting individuals with low ethical standards.

Training

Core values expressing an attitude of intolerance toward unethical behavior should be communicated immediately to new hires and should be re-communicated periodically to all employees.

Confirmation

Reinforcement of core values occurs if the employees are required to sign a code of conduct statement.

Discipline

Consequences of unethical behavior should be communicated upfront, and management response to unethical behavior should be consistent with the consequences communicated. Management's response demonstrates the level of commitment to the ethical standards and could deter future wrongdoing.

Evaluating Antifraud Processes and Controls

Perceived opportunity to successfully commit fraud increases the risk that fraud will occur. The following can help in reducing the opportunity for fraud:

Identifying and Measuring Fraud Risks

The government's vulnerability to fraudulent activity (including fraudulent financial reporting, misappropriation of assets, bribery and other illegal acts) should be assessed.

Fraud Considerations (continued)

Implementing and Monitoring Appropriate Internal Controls

Internal processes can be modified to reduce fraud risk. Examples of such process modifications are as follows:

- Additional review of the procurement process
- Segregation of duties
- Adequate scrutiny of interim financial reports and budget reports by management

Developing an Appropriate Oversight Process

Whether it is external or internal oversight, appropriate oversight should be identified and established.

Township Board

The governing board is ultimately responsible for ensuring management is doing an effective job of monitoring fraud risk and implementing procedures to mitigate fraud risk. Therefore, the Board should be evaluating management's assessments and controls. Also, the Board should assess management's ability to override controls and to establish controls to minimize this risk.

Independent Auditors

Independent auditors can provide an assessment of the government's process for identifying, assessing and responding to the risk of fraud.

Certified Fraud Examiners

Certified Fraud Examiners can provide additional insight into the risk assessment.

Other Information

The following Web sites provide additional guidance on fraud and the implementation of anti-fraud programs and controls:

American Institute of Certified Public Accountants	www.aicpa.org
Association of Certified Fraud Examiners	www.cfenet.com
Financial Executives International	www.fei.org
Information Systems Audit and Control Association	www.isaca.org
The Institute of Internal Auditors	www.theiia.org
Institute of Management Accountants	www.imanet.org
National Association of Corporate Directors	www.nacdonline.org
Society for Human Resource Management	www.shrm.org